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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 IO-10 CIAE-00 DODE-00 PM-03 H-01 INR-07

L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-01 OMB-01

CEA-01 COME-00 AGR-05 XMB-02 FTC-01 MC-01 CPR-01 /091 W
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P R 272113Z DEC 74
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC PRIORITY 6332
INFO AMCONSUL CALI
AMCONSUL MEDELLIN
AMEMBASSY CARACAS

C O N F I D E N T I A L BOGOTA 11378

E O 11652 GDS
TAGS PFOR CO CU
SUBJ: EMB COMMENTS ON POSSIBLE COLOMBIAN-CUBAN TRADE AND RENEWAL OF RELATIONS

REF BOGOTA 11276

1. SUMMARY. FONMIN LIEVANO'S ANNOUNCEMENT ON DEC 23 THAT COLOMBIA WOULD STUDY THE RENEWAL OF RELATIONS WITH CUBA AND WOULD PERMIT COLOMBIAN BRANCHES OF MULTINATIONAL CONCERNS TO TRADE WITH CUBA IS A CAUTIOUS FIRST STEP WHICH NEITHER COMMITS COLOMBIA NOR CLOSES ANY OPTIONS. THE REMOVAL OF PROHIBITIONS ON TRADE WITH CUBA BY MULTINATIONAL ENTERPRISES WILL HAVE LITTLE IMMEDIATE EFFECT AS MOST OF THESE COMPANIES ARE US BASED AND STILL BOUND BY US LEGISLATION ON TRADE WITH CUBA. IF LIMITED TRADE IS RESUMED BETWEEN COLOMBIA AND CUBA IN THE NEAR FUTURE THE FLOW OF PRODUCTS IS LIKELY TO BE FROM COLOMBIA TO CUBA, RATHER THAN VICE VERSA. CUBA MIGHT ELECT TO PAY FOR COLOMBIAN PRODUCTS WITH FOREIGN EXCHANGE EARNED FROM SUGAR EXPORTS. END SUMMARY

2. TRADE. THE RECENT GREEN LIGHT TO MULTINATIONAL COMPANIES IS CONFIDENTIAL

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PROBABLY BASED ON WHAT THE GOC PERCEIVES AS A PRECEDENT ESTABLISHED

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BY THE USG BY PERMITTING THE FORD SUBSIDIARY IN ARGENTINA TO EXPORT VEHICLES TO CUBA. THE GOC HAS CHOSEN, AT LEAST FOR THE MOMENT, NOT TO GO BEYOND THE LIMITS ESTABLISHED BY THAT PRECEDENT. THE REMOVAL OF RESTRICTIONS ON MULTINATIONAL CONCERNS HAS HAD THE EFFECT, WHETHER OR NOT INTENDED BY THE GOC, OF PROVOKING DEMANDS BY COLOMBIAN FIRMS AND POTENTIAL EXPORTERS THAT THEY ALSO BE ALLOWED TO TRADE WITH CUBA.

3. THE IMPULSE TO ADD CUBA TO COLOMBIA'S OTHER FOREIGN MARKETS IS PART OF A GENERAL GOC STRATEGY, ENUNCIATED ON VARIOUS OCCASIONS BY PRES LOPEZ AND OTHER HIGH GOC OFFICIALS, OF COMBATTING OR AVOIDING THE EFFECTS OF A RECESSION IN THE INDUSTRIALIZED COUNTRIES BY INCREASING EXPORTS TO NON-TRADITIONAL MARKETS. ALTHOUGH EVEN WITH A COMPLETE RELAXATION OF TRADE RESTRICTIONS, CUBA PROBABLY WOULD NOT BECOME AN IMPORTANT TRADING PARTNER FOR COLOMBIA FOR THE FORESEEABLE FUTURE, EVEN A MARGINAL INCREMENT IN EXPORTS WOULD PROVIDE THE GOC WITH A CONCRETE ACHIEVEMENT IN THIS AREA, PERHAPS ONE OF THE FEW WHICH IT COULD CLAIM.

4. ALTHOUGH CUBA AND COLOMBIA HAVE NEVER BEEN MAJOR TRADING PARTNERS, TRADE RELATIONSHIPS COULD DEVELOP SLOWLY ONCE THE POLIT DECISIONS IS MADE TOMOVE FORWARD. A REVIEW OF THE COMMODITIES TRADED BETWEEN THE TWO COUNTRIES IN THE 58-59 PERIOD, WHEN BILATERAL TRADE HAD REACHED A MAXIMUM OF 3 MILLION DOLLARS, SUGGESTS IT WOULD BE EASIER TO FIND PRODUCTS TO EXPORT FROM COLOMBIA TO CUBA THAN VICE VERSA. MANY OF THE PRODUCTS EXPORTED TO CUBA BEFORE TRADING STOPPED IN 61 ARE THE SAME ITEMS WHICH HAVE SHOWN DRAMATIC INCREASES IN GROWTH IN RECENT YEARS. THESE PRODUCTS INCLUDE (A) WOOD, (B) LEATHER AND LEATHER PRODUCTS, (C) TEXTILES, (D) CLOTHING (E) PAPER PRODUCTS AND (F) PHARMACEUTICALS. OTHER POTENTIAL PRODUCTS ARE COFFEE, CONSUMER GOODS AND VEGETABLE OIL. OVER THE LONGER TERM, NATURAL GAS AND COAL ARE ALSO POSSIBILITIES. THE LIST OF FORMER CUBAN EXPORTS TO COLOMBIA IS NOT VERY PROMISING, WITH THE IMPORTANT EXCEPTION OF TOBACCO. CUBAN EXPORTS MIGHT EVENTUALY INCLUDE COPPER, FEED AND FOOD GRAINS. HOWEVER GIVEN THE VERY HIGH SUGAR PRICES AND FAVORABLE PRICE PROSPECTS FOR THIS COMMODITY IN THE NEAR FUTURE, IT IS CONCEIVABLE THAT CUBA COULD CHOOSE TO ESTABLISH TRADE RELATIONS WITH COLOMBIA THROUGH DIRECT FOREIGN EXCHANGE PURCHASES.

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5. SUBSIDIARIES IN COLOMBIA. THERE COULD BE POTENTIAL PROBLEMS IF THE GOC CHOOSES TO EXERT PRESSURE ON COLOMBIAN SUBSIDIARIES OF U S FIRMS TO TRADE WITH CUBA. AT PRESENT THIS DOES NOT APPEAR LIKELY. DEPENDING ON CUBAN NEEDS AND THE COLOMBIAN DOMESTIC MARKET SITUATION, U S COMPANIES IN COLOMBIA (INCLUDING JOINT VENTURES AND LICENSEES) COULD MAKE AVAILABLE A WIDE RANGE OF INDUSTRIAL PRODUCTS FOR EXPORT TO CUBA. PARTIAL LISTING OF PRODUCTS AND COMPANIES INVOLVED INCLUDES: ELECTRICAL EQUIPMENT

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(G.E., WESTINGHOUSE, WORTHINGTON); TRANSPORTATION EQUIPMENT (CHRYSLER, AMERICAN MOTORS); PETROLEUM PRODUCTS (ESSO, CITGO, CHEVRON, TEXACO); CHEMICALS (DOW, CELANESE, DUPONT, BORDEN, ROHM AND HAAS, UNION CARBIDE); TIRES AND RUBBER PRODUCTS (GOODRICH, GOODYEAR); ALUMINUM (REYNOLDS); LIGHT AIRCRAFT (CESSNA); PAPER PRODUCTS (KIMBERLY, INT. PAPER/W R GRACE); AND PHARMACEUTICALS (ABBOT, ELI LILLY, SQUIBB, PFIZER, MERCK, SHARP AND DOHME). PENDING INVESTMENTS THAT MIGHT BE SUBJ TO PRESSURE TO EXPORT INCLUDE: DIESEL MOTORS (GM) AND FORKLIFT TRUCKS (ALLIS-CHALMERS). PRODUCTS OF MANY OF THE COMPANIES LISTED ABOVE ARE NOT WHOLLY MANUFACTURED IN COLOMBIA, BUT ARE COMPOUNDED OR ASSEMBLED HERE WITH VARYING DEGREES OF LOCAL CONTENT.

6. RENEWAL OF DIP RELATIONS. THE SIX MEMBER ADVISORY COMMITTEE FOR FORN RELATIONS, WHICH WILL MEET DURING THE FIRST HALF OF JAN, WILL PROBABLY NOT MERELY RUBBER STAMP A PROPOSAL TO RENEW DIP RELATIONS WITH CUBA. THE THREE CONSERVATIVE MEMBERS OF THE COMMITTEE ARE LIKELY TO MAINTAIN THE OFFICIAL CONSERVATIVE PARTY POSITION AGAINST ANY RENEWAL OF DIP RELATIONS. ONE OF THESE MEMBERS HAS POINTED OUT THAT FORMAL DIP RELATIONS ARE NOT NECESSARY TO ESTABLISH TRADE. THE THREE LIBERAL MEMBERS WILL PROBABLY SUPPORT IN PRINCIPLE RELATIONS WITH CUBA. HOWEVER AT LEAST TWO OF THESE MEMBERS ARE REPORTED TO BELIEVE THAT ANY RENEWAL OF RELATIONS SHOULD BE ACCOMPLISHED WITHIN THE FRAMEWORK OF OAS. IN REFERRING THE MATTER OF RELATIONS WITH CUBA TO THE ADVISORY COMMITTEE FOR ITS OPINION, LIEVANO WAS UNDOUBTEDLY AWARE THAT THE GOVT WOULD NOT BE PRESENTED WITH A CLEAR RECOMMENDATION FOR SPEEDY ACTION. RATHER, THE DECISION TO CALL UPON THE ADVISORY COMMITTEE, WHICH THE GOVT WAS NOT OBLIGED TO DO, INDICATES A DESIRE TOPROCEED CAUTIOUSLY, WHILE AT THE SAME TIME GIVING THE IMPRESSION OF FORWARD MOVEMENT.

7. IN THE NEXT FEW DAYS THE EMB INTENDS TO CONTACT IN A LOWKEY
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MANNER SELECTED GOC OFFICIALS TO ENSURE THAT THE GOC IS AWARE OF PROVISIONS IN U S LAW WHICH MIGHT BE TRIGGERED BY COLOMBIAN TRADE WITH CUBA. VAKY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC RELATIONS ESTABLISHMENT, TRADE, MULTINATIONAL CORPORATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 27 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BOGOTA11378
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740376-0741
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974129/aaaaahbd.tel
Line Count: 157
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 BOGOTA 11276
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by boyleja>; APPROVED <26 FEB 2003 by MorefiRH>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EMB COMMENTS ON POSSIBLE COLOMBIAN-CUBAN TRADE AND RENEWAL OF RELATIONS
TAGS: PFOR, ETRD, CO, CU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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